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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

National Intelligence Officers

NFAC-5322-81
21 August 1981

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

THROUGH : National Intelligence Officer for Warning

FROM : Acting National Intelligence Officer for
Western Europe

SUBJECT : Monthly Warning Assessment: Western Europe

Aegean Developments

1. The principal focus of US interest in the Aegean for the immediate future will be the outcome of legislative elections in Greece, scheduled for 18 October. Inter-communal talks in Cyprus looking towards a settlement between Greek and Turkish Cypriots have begun--for the first time with a set of Turkish proposals on the table. The military regime in Ankara, meanwhile, satisfied with its achievements in restoring domestic order and its popular approval, has initiated the process of restoring democratic government but seems unlikely to make any but minor concessions to West Europeans pressing for faster movement and early political liberalization.

2. Some optimism over progress in the Cyprus talks may be derived from the Greek Cypriots not having rejected out of hand what they regard as inadequate Turkish offers. The Greeks may in fact make counter-offers. But there are still pressures among the Greek Cypriots for taking the question to the United Nations and progress may be necessary by early fall if "internationalization" of the Cyprus problem is to be avoided for another year.

3. With Papandreou's party still appearing to have a good chance to win a plurality in the coming Greek elections, how Papandreou might perform as prime minister remains a major unknown

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has for some time been moderating many of his publicly expressed views. Furthermore, Mitterrand's victory in France, it is thought by some analysts, may impress many Greeks with the "legitimacy" of socialism and thus enable Papandreou to be less strident in pushing his party's platform. In power, Papandreou would also have to reckon with the need to establish public confidence, the possibility of military reactions, and the continuing influence of President Karamanlis. The principal uncertainty of a Papandreou premiership may arise from his as yet untested ability to manage what may be a varied and diverse coalition, while attending to competing claims on the economy and for government spending. Papandreou may be tempted to "radicalize" Greek foreign policy in order to divert attention from the domestic constraints on him; but he may also not want to provoke new difficulties with the United States or with Western Europe that would detract from his efforts to consolidate power at home through gaining approval for an ambitious domestic program.

Portugal

4. Prime Minister Balsemao has returned to office on a backlash of support generated largely by popular disgust with the "critics" within his own party who prompted the prime minister's resignation. The short-term outlook for regime stability is thus good. Analysts remain skeptical, however, about Balsemao's longer run staying power and believe that, possibly after constitutional reforms have been achieved, the governing Democratic Alliance may break up and lead to realignments of political parties. For the moment, there is little direct threat to US interests.

ERW

5. Official reactions of the major allies to the US decision on production of neutron weapons have been restrained. But the German government in particular is concerned about the impact on the LRTNF debate; opposition to ERW is widespread within the SPD, while the CDU/CSU opposition has been criticizing this negative stance as further signs of non-support for the United States on the part of the ruling party. In Italy, the ERW decision coincided with announcement of basing plans for ground-launched cruise missiles, and has thus exacerbated debate on security issues. The negative effects of the neutron weapon decision in Europe have been somewhat offset by the appearance of US consistency and decisiveness. How the Europeans read US willingness to engage in meaningful arms control talks with the Soviet Union remains the most important single determinant of European attitudes towards LRTNF.

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Air Controller Actions

6. Some further disruptions to trans-Atlantic air traffic are possible as a result of international solidarity with dismissed American controllers, but anything approaching complete cessation of air traffic control between the US and other countries is extremely unlikely.

Netherlands Government

7. The process of forming a new Dutch government could take several more months. The attempt to install a center-left coalition continues, but chances seem at least equal that the eventual outcome may be for a center-right government. The outlook for approval of LRTNF deployment remains poor. Mercifully, budget issues and not TNF have been the focus of the recent collapse of Van Agt's efforts to form a governing coalition.

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